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FAMILY AND CHILDREN=S HEALTH PROGRAMS

HCFA CENTER FOR MEDICAID & STATE OPERATIONS

on

HEALTH COVERAGE FOR FAMILIES LEAVING WELFARE

before the

HOUSE WAYS & MEANS SUBCOMMITTEE ON HUMAN RESOURCES

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Chairman Johnson, Congressman Cardin, distinguished Subcommittee members, thank you for inviting me to discuss the impact of welfare reform on Medicaid. President Clinton has continued to stress the importance of ensuring that everyone who is eligible for Medicaid is enrolled, and we greatly appreciate this opportunity to discuss our actions and concerns.

The historic welfare reform law, along with the new State Children=s Health Insurance Program created in 1997, has enabled States to greatly expand health care coverage eligibility and help more low-income people make the transition from welfare to work. It broke the link between cash assistance programs and eligibility for Medicaid. It also explicitly guaranteed that children and families who would have qualified for Medicaid through receipt of cash assistance would continue to be eligible for Medicaid.

Overall national statistics on Medicaid enrollment are encouraging, but there is variation among States. The most recent statistics from all States show that total Medicaid enrollment is about the same now as it was before welfare reform. However, we know that many eligible families are not enrolled; and we share your concern about instances in which State practices have resulted in eligible individuals losing health care coverage.

We have taken a series of actions to ensure that States comply with the welfare reform law and address its impact on Medicaid enrollment. Most recently, we instructed all States to review Medicaid terminations and re-enroll improperly terminated individuals. We also asked States to ensure that their computer systems and eligibility processes have been modified so that families eligible for Medicaid do not inappropriately lose coverage when their eligibility for cash assistance ends.

Last year we worked with Congress to ensure the continued availability of the $500 million fund created to help States afford needed changes.

The President, in addition to aggressively promoting SCHIP outreach efforts, has proposed several additional steps to further expand health care coverage among low-income families and strengthen programs that provide health care for the uninsured. And we are committed to continuing to work with States to ensure that no eligible individuals are denied Medicaid coverage.

BACKGROUND

Congress and the President together kept the pledge to Aend welfare as we know it@ through the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. This historic law broke the link that made families automatically eligible for Medicaid if they received cash assistance through the Aid to Families with Dependent Children program, which was replaced with the Temporary Assistance for Needy Families (TANF) program

The link was broken because we all knew that welfare programs were changing, and neither Congress nor the Administration wanted those changes to result in the loss of health care coverage. At the insistence of the President, Chairman Johnson of this Subcommittee, and many other members of Congress, great care was taken to assure that Federal law continued to guarantee Medicaid eligibility for children and families who formerly qualified for Medicaid through receipt of cash assistance. Health care coverage can be critical in helping people make the transition from welfare to work and keeping them healthy so that they can work. This is especially important in entry-level jobs that may not provide employer-based health insurance.

Thus, the welfare reform law requires that States must still provide Medicaid to all people who would be eligible for welfare under the State=s Aid to Families with Dependent Children plan that was in effect on July 16, 1996, prior to the enactment of the welfare reform legislation.

They also must provide Medicaid to children who lost Supplemental Security Income cash assistance when disability rules changed, as well as other statutorily defined groups, including low-income elderly and disabled people.

The 1996 law also gave States new options for providing Medicaid coverage to low-income working families. This was followed by a regulation issued by HCFA in 1998 allowing States to cover parents in two-parent families. The Balanced Budget Act of 1997 (BBA) built upon the welfare law changes and created the State Children=s Health Insurance Program (SCHIP), which gives States wide flexibility in providing health care coverage to children in families that earn too much to qualify for Medicaid but not enough to purchase private sector insurance. The BBA also gave States two new Medicaid options -- presumptive eligibility for children and 12-month continuous eligibility -- to improve coverage among poor families.

These changes have created important opportunities for States to provide health care coverage to low-income families as they move off welfare and into the workforce. States have responded with eligibility expansions, simplified enrollment procedures, and creative outreach campaigns. The result is that millions more low-income children and parents are now eligible for coverage through Medicaid or the new SCHIP program.

Meeting Challenges

The delinking of welfare and Medicaid has created challenges and opportunities in ensuring that those who are eligible for Medicaid coverage get and retain it. Acknowledging the new administrative burden on States that might result from delinking, the welfare reform law included $500 million for enhanced matching funds to help States cover the increased costs, such as outreach, associated with delinking welfare and Medicaid. Since enactment of welfare reform, we have worked with States and others to undertake substantial efforts to improve Medicaid outreach and increase the participation of eligible children and families.

Consistent national data on Medicaid and SCHIP coverage for families leaving welfare does not yet exist, although this will continue to be an important area of research being funded by the Department of Health and Human Services (HHS). The most recent statistics show that, overall, total Medicaid enrollment has fluctuated only slightly, dropping in 1997, rising in 1998, and is now about the same -- 41.4 million -- as it was before welfare reform. Among low-income adults and children nationally, Medicaid enrollment declined slightly by about 2.1 percent (620,000 individuals) during the three-year period from 1995 to 1998. Among children, it peaked at 20.5 million in 1996, then remained relatively level in the following two years at 20.1 million in 1998 for a total enrollment drop of 1.3 percent (270,000).

HHS-funded studies show significant state-to-state variation in enrollment trends, with Medicaid enrollment rates for adults ranging from 24 to 76 percent three months after leaving cash assistance, and enrollment dropping further by as much as 10 to 20 percent in the year after leaving.

Improvements in the economy, such as that we have enjoyed for the past six years, contribute to rising incomes and falling welfare and Medicaid caseloads. It is also important to note that overall, the number of people under the poverty level who are uninsured has not increased since 1996 and the poverty rate has declined. One particularly encouraging finding is that the number of non-disabled adults enrolled in Medicaid (primarily parents and pregnant women requiring TANF benefits) actually increased in 1998. And, at the same time, more than 2 million children are now enrolled in SCHIP.

As Marilyn Ellwood notes in her testimony, people losing Medicaid when leaving cash assistance has always been an issue, even before the passage of welfare reform. Other research, dating back to the 1980s, has shown that people who leave welfare often return to the cash assistance rolls. This Acycling@ pattern of cash assistance usage has also contributed to periodic losses of Medicaid coverage, both for the adults and for their children.

In this context, Ellwood's finding that in 1995 between 49 percent and 65 percent of adults who left cash assistance were not enrolled in Medicaid after six months is not surprising, even if it is disappointing. In the five states she studied, the turnover rate for adults ranged between 26 and 40 percent.

Breaking Medicaid=s link with cash assistance, along with the guarantee of Medicaid for certain families with children regardless of cash assistance status and Medicaid expansions, should help to reduce cycling on and off Medicaid. This will help allow Medicaid to operate more effectively as a health insurance program. By and large, thanks to Transitional Medical Assistance, the 1996 eligibility guarantee, and recent eligibility expansions, people leaving cash assistance are eligible for Medicaid. Our challenge now is to ensure that the law is implemented properly and that Medicaid eligibility is based on a family=s income and assets, and not on their status as welfare recipients.

Working with States

As mentioned above, there is wide variation among States in enrollment trends. Some States have done an excellent job of maintaining Medicaid coverage for individuals leaving cash assistance rolls. Other States have done an excellent job of outreach to individuals eligible for Medicaid or SCHIP. But in other States, there have been problems that we are working hard to address.

We are greatly concerned about instances in which administrative inaction or improper procedures by States have resulted in eligible individuals being denied access to Medicaid, or in their losing Medicaid

coverage or Transitional Medical Assistance that they are guaranteed by law. For example:

- Some public assistance staff failed to inform individuals applying for cash assistance and Medicaid that they could be eligible for Medicaid even if they did not want to pursue or were not eligible for cash assistance under TANF;
- Some States have used joint application forms for both cash assistance and Medicaid and improperly denied health care coverage to individuals who were eligible for Medicaid but not eligible for cash assistance; and
- Computer systems in some States improperly removed individuals from Medicaid rolls when closing their cash assistance cases.

We have taken and are continuing to take several steps to help States adjust to the changes and address specific situations in which eligible individuals were denied Medicaid coverage. And we are working with States to find new ways to reach children and families outside, as well as through, the welfare system. Our efforts to help States address these types of concerns began shortly after the welfare reform law was enacted.

- In 1997 and 1998, we sent a series of letters to States that provided guidance on how to comply with the new rules and ensure health care coverage for those eligible for Medicaid. We also revised our Medicaid manual for States to update guidance on the new law.
- In June 1998 we sent a letter specifically reminding States of the new rules. Since TANF agencies often administer eligibility determinations for the Medicaid program, we wrote this letter with the Administration for Children and Families and sent it to both TANF and Medicaid agencies.
- In February 1999, we and the National Governors= Association launched the Insure Kids Now campaign, with a national toll-free number, 1-877-KIDS NOW, that links callers to their own State SCHIP and Medicaid programs, and a www.insurekidsnow.gov web site.
- In March 1999, we and the Administration for Children and Families issued a 28-page *Supporting Families in Transition* guidebook for States with information on getting and keeping people enrolled in Medicaid when they are leaving or are diverted from welfare.
- Last August, we began conducting site visits to all 50 States to review Medicaid enrollment policies and systems. We are sharing results with States to help them identify best practices and resolve any identified problems.
- Last Fall, we worked with Congress to lift the expiration date for States to spend the $500 million set aside to help them change systems and conduct outreach to address concerns related to delinking of Medicaid and welfare, and in January we sent a letter urging States to take advantage of this extension.
- Last December, HHS published proposed regulations that would take Medicaid and SCHIP enrollment figures into consideration when awarding bonuses to States for success in welfare reform efforts and issued guidance that States would not qualify for performance bonuses unless they certified they were in compliance with Mediciad (and Food Stamp) requirements.
- Last month, we sent a letter to all State Medicaid Directors with additional guidance on what they must do to review Medicaid terminations and re-enroll individuals who were improperly terminated. For example, they must review computer systems and eligibility processes to ensure that they do not improperly deny Medicaid benefits to eligible people. They also must review records to be sure children losing SSI benefits because of the new disability definition did not lose

benefits guaranteed them by the BBA, and reinstate anyone improperly terminated from Medicaid. The letter also included guidance on streamlining processes for reviewing whether individuals are eligible to continue receiving Medicaid and ensuring that computer systems do not result in improper terminations. Several States are already reinstating coverage for improperly terminated individuals, and we have received a generally receptive response to the April letter from other States.

- On June 9, we will hold a conference with the National Governors= Association and the American Public Human Services Association on best practices for ensuring that eligible individuals are not denied Medicaid coverage.

Next Steps

To build on these efforts, the President=s fiscal 2001 budget invests $5.6 billion over the next ten years to reach and enroll millions of children who are eligible for, but not enrolled in, Medicaid or SCHIP. It would:

- provide new options to States to find and enroll uninsured children through schools;
- expand presumptive eligibility for children by allowing additional sites, such as child care referral centers, to immediately enroll low-income uninsured children in these programs while their applications are being processed; and,
- require States to make the Medicaid enrollment process for children as simple as it is in SCHIP.

The Administration has also proposed investing $85 billion over 10 years to improve health insurance access and affordability. This would directly impact the very population affected by welfare reform and expand coverage to at least 5 million additional uninsured Americans by:

- providing a new, affordable health insurance option for families through the SCHIP;
- accelerating enrollment of uninsured children in Medicaid and SCHIP;
- expanding health insurance options for Americans facing unique barriers to coverage;
- strengthening programs that provide health care directly to the uninsured;
- expanding Medicaid and SCHIP to include an option to cover children through age 20; and
- expanding Medicaid and SCHIP so there is a single, simple eligibility standard for low-income families may be the best way to overcome the complexity and stigma that have limited enrollment.

CONCLUSION

Helping States ensure that all eligible individuals are enrolled in Medicaid and SCHIP is an integral part of making welfare reform work. Health care coverage can be critical in helping families work towards self-sufficiency. Most States are addressing the challenges associated with changing eligibility rules and systems, and many have developed promising new strategies for ensuring that children and families who are not receiving cash assistance are properly evaluated for Medicaid eligibility.

We will continue to work with States as they work to reinstate individuals who have been improperly terminated, and revise computer systems and enrollment procedures to ensure that eligible individuals are not denied coverage. And we look forward to working with this Congress to enact the President=s proposals to further expand coverage and health care for low-income and uninsured Americans. I thank you again for holding this hearing, and I am happy to answer your questions.

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